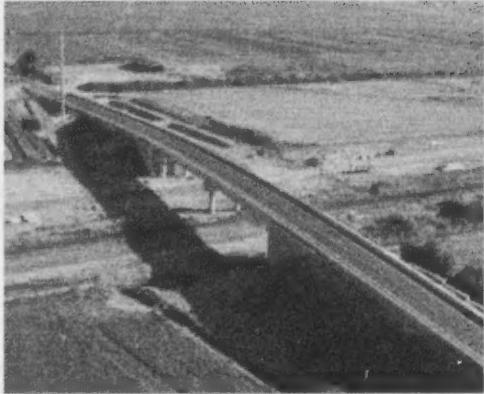


partnerships

British Columbia

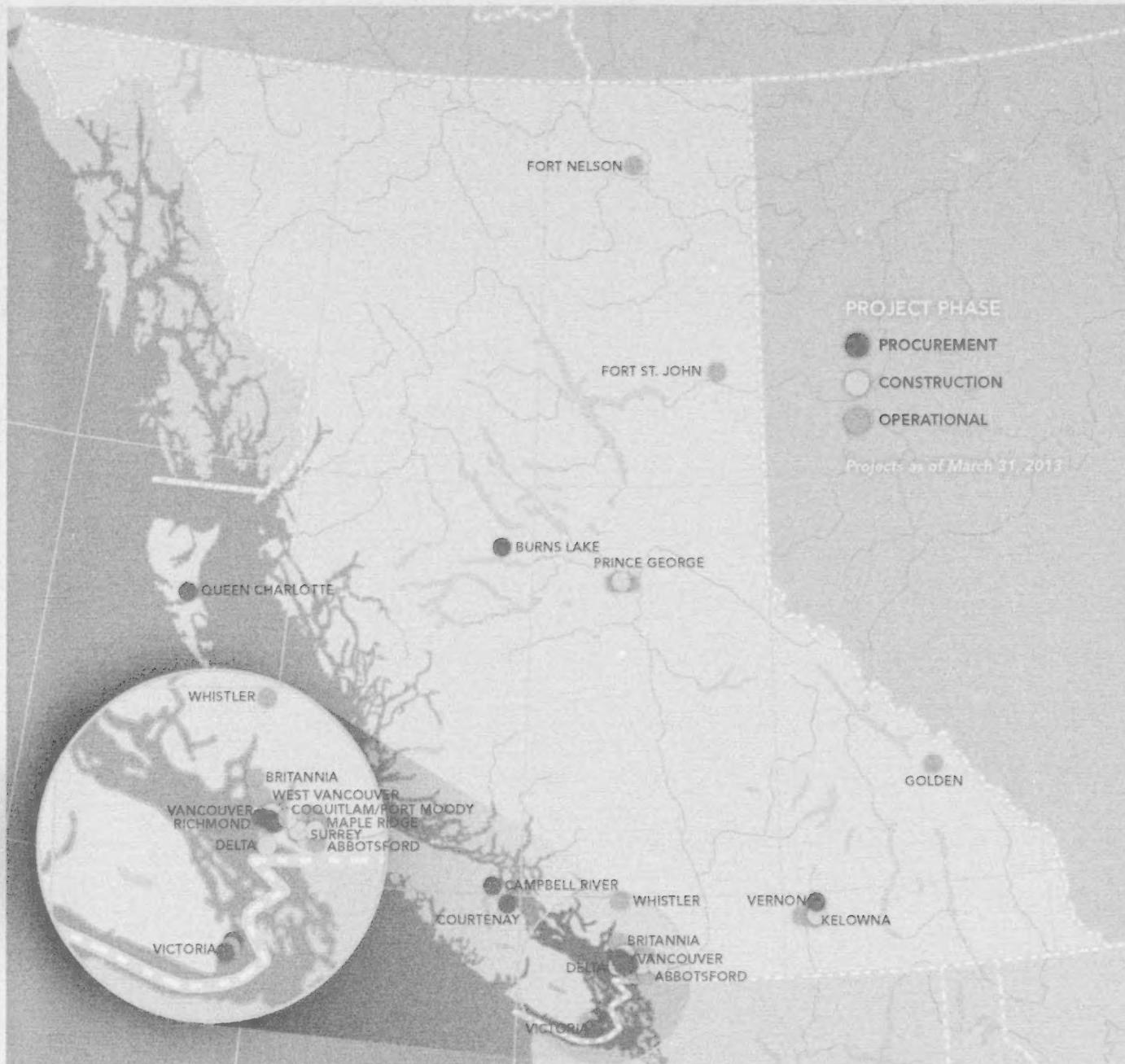


**Partnerships British Columbia
Minister-Approved**

Annual Report

2012/2013





PROCUREMENT

- John Hart Generating Station Replacement Project
- Capital Regional District McLoughlin Point Wastewater Treatment Project
- Emily Carr University of Art + Design Project
- Vernon Jubilee Hospital Inpatient Bed Project
- Oak Bay High School Replacement Project
- BC Children's and BC Women's Redevelopment Project
- Okanagan Correctional Centre Project
- Queen Charlotte / Haida Gwaii Hospital Replacement Project
- North Island Hospitals Project
- Lakes District Hospital and Health Centre Replacement Project
- Kitsilano Secondary School Renewal

CONSTRUCTION

- South Fraser Perimeter Road Project
- Surrey Pretrial Services Centre
- Evergreen Line Rapid Transit Project
- BC Housing SRO Renewal Initiative
- Interior Heart and Surgical Centre
- Wood Innovation and Design Centre
- Surrey Memorial Hospital Redevelopment Expansion

OPERATIONAL

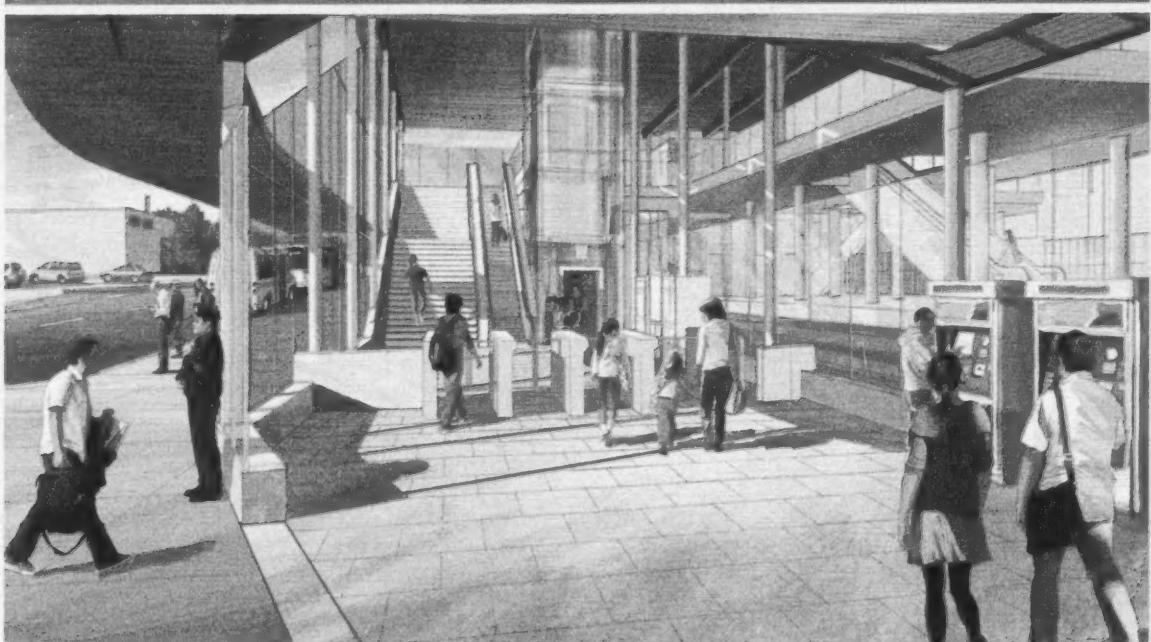
- Smart Metering Project
- Fort St. John Hospital and Residential Care Project
- BC Cancer Agency Centre for the North Project
- Jim Pattison Outpatient Care and Surgery Centre Project
- Kelowna Vernon Hospitals Project

- Interior Heart and Surgical Centre Clinical Support Building
- Modular Classroom Project

- Abbotsford Regional Hospital and Cancer Centre
- Britannia Mine Water Treatment Plant
- Canada Line
- Charles Jago Northern Sport Centre
- Golden Ears Bridge
- Gordon and Leslie Diamond Health Care Centre
- Kicking Horse Canyon – Phase 2
- Pitt River Bridge and May Hill Interchange
- Residential Care and Assisted Living Capacity
- Royal Jubilee Hospital Patient Care Centre
- Sea-to-Sky Highway
- Sierra Yoyo Desan Resource Road
- William R. Bennett Bridge
- Port Mann/Highway 1 Improvement Project*

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Artist rendering of Evergreen Line stations in Coquitlam (top) and Port Moody (bottom).

1 Message from the Chair

It is my pleasure to present the 2012/13 Annual Report for Partnerships British Columbia Inc. (Partnerships BC or the Company).

In 2012/13, Partnerships BC achieved, and in many cases surpassed, its goals, including its financial plan target. Services continue to be in demand, and client satisfaction surveys and market soundings demonstrate that Partnerships BC is viewed as providing value to both public and private sector partners.

As a mature organization with a track record of supporting successful project delivery, the Company's reputation and experience have also resulted in requests to provide advisory services and planning support on a number of projects for a variety of jurisdictions. In 2012/13, Partnerships BC earned more than 20 per cent of its target revenue from organizations outside of the Province's reporting entity, demonstrating B.C.'s leadership in the innovative delivery of public infrastructure.

Partnerships BC continues to successfully deliver on project milestones. In 2012/13, final project agreements were reached on four projects and 12 projects were in the market in B.C. Market involvement also increased with new participants, representing the full spectrum of companies from equity contributors to sub-contractors. Participation from B.C. companies remains high.

While global credit markets have experienced significant turmoil since 2008, the Canadian and British Columbian economies are both stable and attractive, and the Province's commitments are backed by a AAA credit rating.

As a knowledge-driven company in a niche market, Partnerships BC has employees with skills and experience that are highly sought after, both in B.C. and around the globe. As such, employee satisfaction and retention is critical to ongoing success.

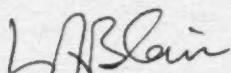
Going forward, Partnerships BC will build on its 11 years of experience in planning and structuring partnership delivery solutions for public infrastructure and will strive to provide leadership and added value in procurement practices and market development to an increasingly diverse client base.

On behalf of the Board of Directors, I would like to thank Ed Andersen and Dan Doyle for their service and contribution during their time on the board. I would also like to acknowledge the professionalism and dedication of the entire team at Partnerships BC.

The 2012/13 Partnerships BC Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board sets performance measures and holds management accountable for the contents of the report and achievement against performance measures. The Board is responsible for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion. The information presented reflects the actual performance of the Company for the 12 months ended March 31, 2013. All significant decisions, events and identified risks as of March 31, 2013 have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of the Company's actual performance in relation to the Service Plan.

Sincerely,



Larry Blain,
Chair

2 Organizational Overview

YEAR IN REVIEW

2012

APRIL

- South Fraser Perimeter Road reaches 50 per cent completion mark

MAY

- RFQ released for new hospital at Burns Lake
- Centennial and Anderson Buildings open at Kelowna General Hospital

JUNE

- Agreement reached for Interior Heart and Surgical Centre
- RFQ issued for North Island Hospitals Project

JULY

- RFQ for new hospital on Haida Gwaii released
- Fort St John Hospital and Peace Villa open

Partnerships BC is owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole Shareholder, the Minister of Finance. It is incorporated under the British Columbia Business Corporations Act.

2.1 Mandate

Partnerships BC's mandate is to:

- Plan and structure partnership delivery solutions for public infrastructure that are expected to achieve value for money;
- Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement, practices and market development; and
- Maintain a self-sustaining organization and provide added value to an increasingly diverse client base.

2.2 Vision

Partnerships BC's vision is to be a recognized leader in evaluating, structuring and implementing partnership delivery solutions for public infrastructure which achieve value for taxpayer dollars. The Organization is focused on delivering consistent value to its clients.

2.3 Core Business Areas

Partnerships BC provides a full spectrum of services ranging from business planning and project delivery management to advisory services during the design, construction and operations phases. Partnerships BC's specific service offerings are described in the table below.

BUSINESS PLANNING	PROCUREMENT PROCESS	POST-CONTRACT/ FINANCIAL CLOSE
<ul style="list-style-type: none"> • Early Project Screening • Concept Plans • Procurement Options Assessment • Business Case <ul style="list-style-type: none"> - Market Sounding - Quantitative Analysis - Risk Analysis - Multiple Criteria Analysis - Procurement Options Analysis 	<ul style="list-style-type: none"> • Competitive Selection Management • Evaluation Management • Contract Negotiations • Service Integration <ul style="list-style-type: none"> - Consultant Reporting 	<ul style="list-style-type: none"> • Project Reporting • Design and construction phase support and advice • Operations phase advice

KNOWLEDGE MANAGEMENT • GUIDANCE DOCUMENTS AND TEMPLATES

STRATEGIC COMMUNICATIONS • STAKEHOLDER MANAGEMENT • PROJECT GOVERNANCE

RECOMMENDATIONS TO TREASURY BOARD

2.4 How Partnerships BC Serves British Columbians

Partnerships BC serves British Columbians through the planning, delivery and oversight of major infrastructure projects. Partnerships BC's services are valuable to the Province's ability to undertake the planning and procurement of complex projects, specifically those involving the use of private sector expertise, services and capital.

Since its inception in 2002, Partnerships BC has participated in more than 35 projects with an investment value of approximately \$12.5 billion, of which \$5 billion is private sector capital. These projects – which are either operational, under construction or currently in the competitive selection process – are delivering the following benefits to British Columbians.

- Five new emergency departments,
- Two new regional cancer centres that will improve access to treatment,
- More than 1,000 new acute care hospital beds,
- More than 1,100 new residential care beds and assisted living units,
- New capacity to accommodate more than 1,000,000 annual outpatient visits,
- Two new secondary schools that will facilitate 21st century learning,
- Two new correctional facilities with security enhancements and improved capacity,
- 133 modular classrooms to reduce crowding in schools,
- Six new bridges that will improve the movement of goods and services,
- 390 kilometres of new highway enhancing driver safety,
- 30 kilometres of rapid transit,
- Treatment of up to 500,000 cubic metres of contaminated water annually, and
- One new university campus.

2.5 Principal Partners, Clients and Stakeholders

Partnerships BC provides project structuring services from the business planning stage through the competitive selection process and into design, construction and operations. Key clients include public sector agencies such as ministries, Crown corporations, health authorities, advanced education institutions, municipal governments, the federal government, and other provincial governments. To strengthen the market in British Columbia, Partnerships BC builds relationships with the business community, including private sector developers, investors, the advisory and financial services sector, as well as providers of construction, engineering and facilities management services.

2.6 How Partnerships BC Delivers Services

Partnerships BC's service model is a consulting model that is based on a fee-for-service structure. The Organization provides services directly through its own expertise and also by engaging external consultants where specialized advice is required.

2.7 Location of Operations

Partnerships BC has offices in the following locations:

2320 – 1111 West Georgia Street, Vancouver, BC V6E 4M3

300 – 707 Fort Street, Victoria, BC V8W 3G3

YEAR IN REVIEW

2012

OCTOBER

- BC Cancer Agency Centre for the North opens
- Construction underway on Interior Heart and Surgical Centre
- Surrey Memorial Hospital Redevelopment Expansion projects gets "topped off"
- RFP released for new hospital at Burns Lake

NOVEMBER

- Three B.C. projects awarded by CCPPP Westcoast Infrastructure Exchange announced between B.C. and Washington, Oregon and California states

DECEMBER

- RFQ released for Okanagan Correctional Centre
- RFP released for new Haida Gwaii hospital
- New Port Mann Bridge and South Fraser Perimeter Road open

3 Corporate Governance

YEAR IN REVIEW

2013

JANUARY

- Agreement reached to revitalize 13 Downtown Eastside hotels
- Agreement reached to start major construction on Evergreen Line Rapid Transit Project B.C. and BC Construction Association launch Infrastructure Forum
- Site preparation gets underway for Queen Charlotte/Haida Gwaii Hospital

FEBRUARY

- Milestone reached in cardiac surgery with 100 open heart surgeries performed in the Interior
- BC Utilities Commission approves John Hart generating station replacement

3.1 Board of Directors

Partnerships BC is governed by a Board of Directors that ensures the operations of the organization reflect the interests of the Shareholder. The initial Board of Directors was appointed July 15, 2003. Today, the composition of the Board reflects Partnerships BC's unique mandate, with Directors drawn from both the public and private sectors. The Board oversees the conduct of business and provides direction to the senior management team, which is responsible for the day-to-day conduct of the business. The Board Chair and the President and Chief Executive Officer meet with the Shareholder on key matters relating to Partnerships BC.

The Board follows governance principles as set out in the Best Practice Guidelines (Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations), published by the Board Resourcing and Development Office of the Ministry of Labour, Citizens' Services and Open Government. Details on Partnerships BC's governance practices, as well as Terms of Reference for the Board, its committees and Directors, can be found at <http://www.partnershipsb.c.ca/files-4/governance-practices.php>.

The Board is supported by two committees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the Annual Report and any quarterly reports, the Service Plan, annual business plan, operating and capital budgets, and any budget presentations to government. The committee also reviews Partnerships BC's risk management, internal controls and information systems.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters, the establishment of a plan of continuity, and development of senior management. The committee focuses on corporate governance to enhance the performance of the Organization.

DIRECTORS	RESPONSIBILITIES
Larry Blain	Chair, Board of Directors
Brian Bentz	Chair, Human Resources & Governance Committee
Frank Blasetti	Director and Human Resources & Governance Committee
Susan Conner	Chair, Audit & Risk Management Committee
Peter Kappel	Director and Audit & Risk Management Committee
Jill Leversage	Director and Audit & Risk Management Committee
Gordon Steele	Lead Director and Human Resources & Governance Committee

3.2 Senior Management Team

SENIOR MANAGEMENT TEAM		
Sarah Clark, P.Eng. President and Chief Executive Officer		
Doug Ewing, P.Eng. Vice President Projects	Susan Tinker Vice President Partnerships Services	Chan-Seng Lee, CA Vice President Finance and Administration
AREAS OF RESPONSIBILITY <ul style="list-style-type: none"> • Business and Market Development • Project Governance and Delivery • Senior Project Advice • Corporate Relations 	AREAS OF RESPONSIBILITY <ul style="list-style-type: none"> • Business Development • Policy and Practices • Procurement Services • Knowledge Management • Shareholder Relations • Communications • Legal Services 	AREAS OF RESPONSIBILITY <ul style="list-style-type: none"> • Finance and Accounting • Human Resources • Administration • Facilities • Information Technology • Contract Management • Corporate Governance

"Procurement agencies such as...Partnerships BC have taken the lead and ensured the successful procurement of many projects, lending stability and transparency to the market."

- InfraAmericas, 2012

YEAR IN REVIEW**2013****MARCH**

- RFQ released for BC Children's and BC Women's Hospitals
- RFQ released to complete two floors at Polson Tower in Vernon
- RFQ released for new Emily Carr University of Art + Design campus
- RFQ released for Capital Regional District McLoughlin Point Wastewater Treatment Plant Project
- RFP released for Okanagan Correctional Centre, historic signing with Osoyoos Indian Band
- K'omoks First Nation blessing ceremony and site preparation continues on North Island Hospitals
- Wood Innovation and Design Centre reaches contract close

4 Report on Performance

Partnerships BC had a successful year in 2012/13 with four projects reaching financial or contract close. Twelve projects in the transportation, health, energy, public housing, corrections and wastewater sectors were in active procurement; and a number of projects were in the business planning stage. There has been growth in post-financial close advisory services business and in the work revenues generated from business with other jurisdictions.

Affordability best practices were implemented for all projects in the business planning and procurement stages, ensuring that project benefits will be delivered within budget. During 2012/13, a total of 44 guidance and template documents were either developed or updated.

In 2012/13, Partnerships BC continued its efforts to create a strong, coordinated Canadian market. The Company worked with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian markets remained attractive to market participants. Ongoing efforts are producing results with high levels of participation from B.C. companies, and market participants across the full spectrum of British Columbian, Canadian and international companies from equity participants to sub-contractors.

4.1 Performance Results

Building on the platform of success established over 11 years of operation and reflecting both the vision of the Board of Directors and the needs of the Shareholder, the Company focused on three corporate goals for the 2012/13 fiscal year:

1. Plan and structure partnership delivery solutions for public infrastructure projects which are expected to achieve value for money.
2. Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement practices and market development.
3. Maintain a self-sustaining organization and provide added value to an increasingly diverse client base.

The Company's three corporate goals, along with the strategies, measures and targets for achieving those goals, were selected to reflect the nature of the advisory services business model under which Partnerships BC operates and the maturity of the market.

The senior management team presented Partnerships BC's performance results to the Board of Directors at the end of 2012/13 and the Board determined that the Company achieved, and in most cases surpassed, its corporate goals.

4.2 Goals, Objectives, Key Strategies, Performance Measures and Targets

The goals, strategies, measures and targets are critical to Partnerships BC as they form the base from which key priorities relating to the corporate mandate are evaluated. Since 2002, the Organization has been guided by the annual Government's Letter of Expectation. From this document, the Board of Directors has developed Partnerships BC's vision, corporate goals, performance measures and service model.

The Board developed new measures and targets in fiscal 2012/13 with an assumption that the targets would remain relevant for the subsequent three years. The targets for each goal represent the Board's expectation that the management and staff will achieve a very high level of performance.

The Board reviews the targets annually and may revise them if warranted. Partnerships BC will employ a number of strategies to achieve its goals and performance measures/targets, including:

- Maintain focus on providing core services from planning through operations phases;
- Continue applying expertise to large and/or complex projects;
- Diversify business with new clients and new sectors;
- Support clients in the area of capital program planning and project governance; and
- Engage with key stakeholders in the business community and market to generate awareness, support and understanding for major project benefits and delivery methods.

GOAL 1 – PLAN AND STRUCTURE PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE, WHICH ARE EXPECTED TO ACHIEVE VALUE FOR MONEY.

Partnerships BC shares with its clients a commitment to planning and structuring the optimal delivery solution for public infrastructure projects that provide value to British Columbians. Partnerships BC adds value to projects through business case analysis that determines the best procurement method to meet project objectives. Each project requires careful consideration and evaluation of project risks and how best to manage those risks to protect taxpayers' dollars.

The demand for infrastructure in the health, transportation, accommodation, and energy sectors continues. Partnerships BC is focused on opportunities in these and other sectors. Partnerships BC supports clients in analyzing the best procurement model for complex projects.

STRATEGIES TO ACHIEVE GOAL 1:

- Implement ongoing assessments of current and completed projects and use the feedback in subsequent projects.
- Work closely with the Ministry of Finance and clients throughout the planning process to ensure procurement model recommendations are aligned with government priorities.

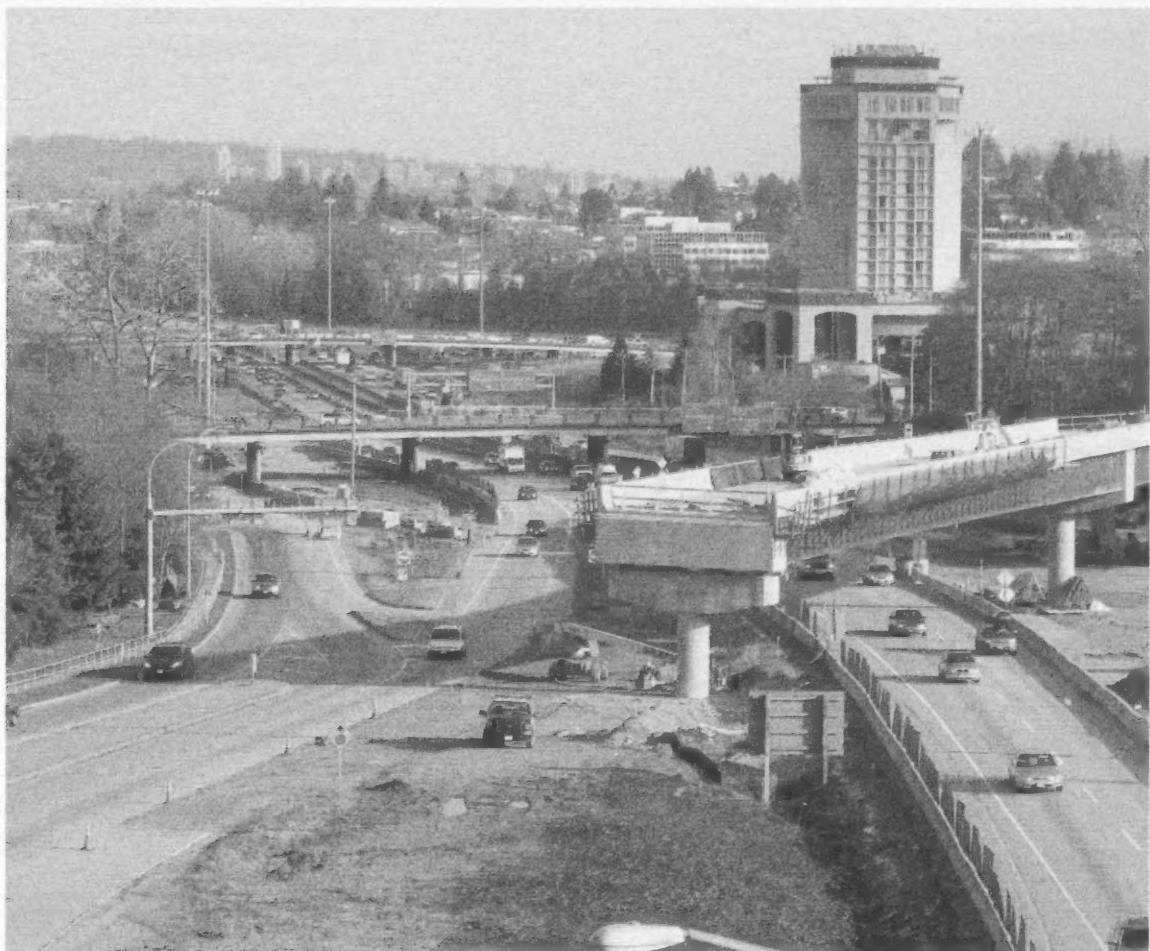
GOAL 1 PERFORMANCE MEASURES	2012/13 TARGET	2012/13 RESULTS	2013/14 TARGET	2013/14 RESULTS	2015/2016 TARGET
Procurement options analysis and recommendation aligns with government objectives	Expect 100 per cent of projects aligned with government objectives	100 per cent of projects aligned with government objectives	100 per cent of projects	100 per cent of projects	100 per cent of projects
Projects achieve value for money at financial close	Expected value for money at financial close confirmed for 100 per cent of projects	Achieved value for money at financial close for 100 per cent of projects	Expected value for money at financial close confirmed for 100 per cent of projects	Expected value for money at financial close confirmed for 100 per cent of projects	Expected value for money at financial close confirmed for 100 per cent of projects

GOAL 2: SUCCESSFULLY IMPLEMENT PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE THROUGH LEADERSHIP IN PROCUREMENT, PRACTICES AND MARKET DEVELOPMENT.

A continued focus for Partnerships BC is designing and implementing competitive selection processes that are efficient, fair and transparent. As one measure of efficiency, the Organization established a procurement benchmark for partnership projects of 18 months from the date the Request for Qualifications (RFQ) is issued to financial close. Efficient competitive selection processes help to save time and money for both the public and private sectors. Partnerships BC remains committed to maintaining a high level of public disclosure related to procurements, consistent with government policy.

Project success starts with creating an attractive market for project participants. Creating a strong and competitive market for projects encourages innovation and increases value for clients and taxpayers. In turn, international companies will invest in B.C. and partner with local firms to take advantage of their expertise.

As the partnership program has matured and more projects have entered the construction and operations phase, Partnerships BC is well-positioned to provide support based on its knowledge of how project agreements are structured, and the allocation of roles and responsibilities between the public and private sector partners. There was concerted effort to review projects in the operations stage to gather real-time feedback and lessons to be applied to subsequent projects.



Port Mann Highway Improvement Project – Grandview Highway exit ramp

STRATEGIES TO ACHIEVE GOAL 2:

- Implement ongoing assessments of current and completed projects and use feedback in future projects.
- Reinforce B.C.'s reputation as an attractive market for major infrastructure projects and promote individual projects to ensure strong bidder response.
- Manage fair, transparent and consistent competitive selection processes.
- Engage with local companies and organizations to share information, discuss concerns and identify opportunities.

GOAL 2 PERFORMANCE MEASURES	2012/13 TARGET	2012/13 RESULTS	2013/14 TARGET	2013/14 RESULTS	2015/2016 TARGET
Total competitive selection process time from RFQ to Financial Close	Expect to achieve 18 months for DBFM/O projects and 12 months for DB projects	Achieved with one exception	18 months for DBFM/O projects 12 months for DB projects	18 months for DBFM/O projects 12 months for DB projects	18 months for DBFM/O projects 12 months for DB projects
Level of competition and ongoing market development	Expect to achieve a minimum of four qualified respondents at the RFQ stage of every competitive selection process	Exceeded target	A minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents	A minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents	A minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents
Level of client satisfaction with competitive selection process and implementation phase work	Expect to achieve 85 per cent customer service satisfaction rating	Client survey not conducted 2012-13; received positive anecdotal feedback from clients and Shareholder	85 per cent customer service satisfaction rating	85 per cent customer service satisfaction rating	85 per cent customer service satisfaction rating
Involvement in post-financial close engagements	Expect to achieve a minimum of five per cent annual revenue target from post-financial close engagements	Exceeded target	A minimum of five per cent annual revenue target from post-financial close engagements	A minimum of five per cent annual revenue target from post-financial close engagements	A minimum of five per cent annual revenue target from post-financial close engagements
Number of active competitive selection processes	Expect to participate in three to five competitive selection processes per year	Exceeded target	A minimum of three to five competitive selection processes per year	A minimum of three to five competitive selection processes per year	A minimum of three to five competitive selection processes per year

GOAL 3: MAINTAIN A SELF-SUSTAINING ORGANIZATION AND PROVIDE ADDED VALUE TO AN INCREASINGLY DIVERSE CLIENT BASE.

Partnerships BC is committed to the principles of fiscal responsibility and financial independence. The Board establishes net income targets. Partnerships BC's net income targets and budgeted expenses for 2013/14, 2014/15 and 2015/16 reflect direction from the Province.

As a fee-for-service organization, Partnerships BC must demonstrate its value to clients to ensure repeat business. Over the years, there has been considerable depth of knowledge and expertise developed at Partnerships BC, as well as a comprehensive library of guidance documents, templates and project examples to support clients with new projects in new sectors. Knowledge management and transfer are key components of demonstrating value to clients.

Partnerships BC continues to diversify with new clients and new sectors where its expertise can add value. The Organization continues its outreach activities to help develop and maintain a positive reputation among key stakeholders, decision makers and influencers to help secure current and prospective clients. In addition to providing services within B.C., Partnerships BC offers value to clients in other jurisdictions. This creates opportunities for BC companies to participate in other markets, in alignment with the Province's job creation and investment goals.

Partnerships BC strives to create a positive corporate culture for its employees. The ability to attract and retain high-performing staff is critical to achieving corporate goals. A key component of the recruitment and retention strategy is an effective compensation philosophy that includes the need to maintain a meaningful degree of competitiveness with the relevant external labour market. Training and development programs are offered to employees as a means of developing and preparing staff for career advancement. The results of the annual employee satisfaction survey are compared to industry standards and are an indication of the Organization's performance.

STRATEGIES TO ACHIEVE GOAL 3:

- Respond to client needs and focus on providing value-added services.
- Diversify expertise as required to support all aspects of clients' needs.
- Implement business development activities to grow business outside of the provincial entity.

GOAL 3 PERFORMANCE MEASURES	2012/13 TARGET	2012/13 RESULTS	2013/14 TARGET	2013/14 RESULTS	2015/2016 TARGET
Annual financial performance meets Board-approved net income target	Expect to meet approved net income target	Exceeded target	Meet approved net income target*	Meet approved net income target*	Meet approved net income target*
An appropriate balance between work with Province and work with other jurisdictions	Expect to achieve a minimum of 15 per cent (of revenue target) of work with other jurisdictions	Exceeded target	A minimum of 15 per cent (of revenue target) of work with other jurisdictions on an annual basis	A minimum of 15 per cent (of revenue target) of work with other jurisdictions on an annual basis	A minimum of 15 per cent (of revenue target) of work with other jurisdictions on an annual basis
Positive employee survey results	Expect to achieve a minimum four out of five rating in annual employee satisfaction survey	Exceeded target	A minimum of four out of five rating in annual employee satisfaction survey	A minimum of four out of five rating in annual employee satisfaction survey	A minimum of four out of five rating in annual employee satisfaction survey

*adjusted annually

4.3 Performance Management and Reporting

On an annual basis, the Board reviews the performance measures and provides recommendations for change, if necessary.

There are no other known agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, there is typically limited data from which to draw comparisons. Where possible, the Organization uses available information to benchmark performance (e.g. employee satisfaction survey results are compared against other public and private sector survey respondents). Other benchmarks, such as the goal of an 18-month procurement window, have been adopted by other agencies both nationally and internationally. Partnerships BC is confident that the performance measures used are reliable, accurate and valid. The Organization tracks data from a number of sources, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations;
- Project milestones and comparison of milestones achieved based on project plans;
- A knowledge management strategy is used to track and catalogue guidance documents, best practices and project precedents; and
- Information from client and employee satisfaction review processes.

The management team presents an operations report to the Board each quarter, tracks progress against the Service Plan, and takes corrective action as necessary to ensure the Organization remains on-track to achieve its goals.

"I believe the people in our region can be proud of how we are making the most of...partnerships to provide better, more innovative and more sustainable health care."

– Dr Nigel Murray, Fraser Health president and chief executive officer, 2012

4.4 Risk and Opportunities

Partnerships BC has identified the following risks to its performance and developed an action plan to ensure the Organization remains on-track to meet client needs and achieve corporate goals.

RISK AND OPPORTUNITIES	POTENTIAL IMPACTS	ACTIONS
SERVICE OFFERINGS <p>Risk: Scope of business and client base may be too small for long-term sustainability.</p> <p>Opportunity: Growing recognition within and outside of British Columbia of Partnerships BC as a centre of expertise in planning and analysis around delivery of major infrastructure projects provides the basis for a broader clientele.</p>	There is a low to moderate risk that maintaining long term financial sustainability may be difficult.	<p>Partnerships BC continued to consult with government agencies to understand infrastructure needs, identify project opportunities, and offer a diverse range of project delivery services, including program and policy development.</p> <p>Partnerships BC continued to respond to other jurisdictions' requests for the Organization's advisory services.</p>
SUCCESSFUL IMPLEMENTATION OF PROJECTS <p>Risk: Project delivery may not be successful in the construction phase or operations and maintenance phases.</p> <p>Opportunity: Clients request ongoing assistance or support to ensure adequate budget and governance frameworks for projects are in place.</p>	There is a moderate risk that projects may experience problems or changes during the various project phases if the appropriate budget and governance frameworks are not in place.	Partnerships BC employed best practices during the planning and competitive selection processes (including costing, affordability, evaluation and governance) and provided as requested advisory services during design, construction and operations stages. Partnerships BC has implemented a program of following up with clients at regular intervals on projects that are in operations. Best practices and experience were communicated across projects to assist in successful implementation.
MARKET SIZE AND CAPACITY <p>Risk: The Province may face challenges relating to market growth in competing jurisdictions.</p> <p>Opportunity: Partnerships BC's market outreach and consistent approach can continue to play an important role in ensuring British Columbia is seen as an attractive market.</p>	There is a low risk that market participation may be diluted and competition diminished.	Partnerships BC continued to develop and maintain relationships with market participants. The Organization continued to apply consistent approaches to planning and implementing projects to maintain an attractive market in B.C. and worked with clients to ensure they have the tools to implement contracts successfully.

RISK AND OPPORTUNITIES	POTENTIAL IMPACTS	ACTIONS
PROJECT COSTS		
Risk: Availability of private capital for infrastructure projects, cost of capital, as well as construction cost variables during the proposal evaluation and negotiation phase may reduce or negate value for money proposition estimated in the business case phase.	In current economic conditions, there is a low to moderate risk that expected value for money may not be achieved at financial close if markets change.	Partnerships BC remained highly informed on financial market conditions and optimized the use of private and public debt to achieve risk transfer.
Opportunity: B.C. is in an excellent position to optimize, rather than maximize private financing for major infrastructure projects.		
INTERNAL EXPERIENCE AND CAPACITY		
Risk: Difficulty retaining and attracting individuals with the right expertise to deliver high-quality services. Employees are actively recruited by the private sector.	There is a moderate risk that client needs will not be adequately served over time if highly qualified individuals choose to leave the Organization.	Partnerships BC worked with government to carefully monitor the situation and find solutions, if necessary. The Organization continued to conduct external compensation reviews and human resource strategies to benchmark against comparable public and private sector organizations. Partnerships BC provided continuous learning opportunities for staff through targeted and relevant training. The Organization continued recruiting activities to achieve staffing levels needed for project work without exceeding budgeted FTE numbers.
TECHNOLOGICAL CAPACITY		
Risk: Partnerships BC maintains a library of core documents and manages a large volume of essential information on behalf of clients.	There is a low risk of permanent information loss due to corruption or loss of electronic data.	Partnerships BC maintained redundant IT systems with frequent and regular data back-ups. The system is reviewed annually and updated as required.

5 Government's Letter of Expectations

The Government's Letter of Expectations between the Shareholder (the Government of British Columbia) and Partnerships BC provides the Government's annual direction to the Crown agency and is an agreement on the parties' respective accountabilities, roles and responsibilities. The Letter confirms Partnerships BC's mandate and priority actions, articulates the key performance expectations and forms the basis for the development of the Service Plan and Annual Service Plan Report. The Government's Letter of Expectations is reviewed and updated as required.

Specific Partnerships BC accountabilities:

GOVERNMENT'S DIRECTION	PARTNERSHIPS BC RESPONSE
Work with the Ministry of Finance to identify the policy parameters and performance/risk management strategies to guide PBC's efforts to expand its business development activities beyond the provincial government and PPP capital projects.	<ul style="list-style-type: none"> Regular meetings were scheduled with the Deputy Minister of Finance to provide the quarterly update. Partnerships BC is continuing to leverage opportunities to showcase the British Columbia model for partnership procurement.
Continue to work with the Ministry of Finance to ensure that the P3 affordability best practices and project finance strategies are aligned with the principles of the provincial Capital Asset Management Framework (CAMF) and provide ongoing advice to the Ministry of Finance on other areas of capital asset management.	<ul style="list-style-type: none"> Remained highly informed on financial market conditions and work with Ministry of Finance to develop deal structure innovations to respond to changing market conditions. Had regular consultations with Ministry of Finance staff regarding affordability best practices and project finance strategies. Responded to requests from the Ministry of Finance for specific advice and support.
Continue to engage early and work closely with line ministries/agencies, TBS and other relevant central agencies to ensure that the key service issues, costs, benefits, and risks related to the PPP projects are clearly identified and update in a timely manner throughout the project review and approval process. To provide opportunities for further collaboration on PPP projects and support timely engagement, PBC and client ministries should provide regular updates to TBS and other central agencies on specific emerging and current PPP projects. PBC should also facilitate ongoing dialogue with TBS and other central agencies on the PPP policy model and market.	<ul style="list-style-type: none"> Encouraged open dialogue between the client and approval entities, especially in the early stages of project development and approval. Expanded level of stakeholder outreach to key clients / government agencies through workshops. Provided Treasury Board Staff with status updates on projects and the partnership market. Continued to meet with ministries to discuss capital plans and identify opportunities where Partnerships BC can assist in achieving best value for the province.
Continue to improve transparency for the PPP methodology and projects by expanding strategies to further educate key stakeholders about its quantitative methodology and the benefits of partnership procurement models for major capital projects. Specific strategies to be undertaken by PBC may include expanding public education about PPP projects and reviewing opportunities to simplify and streamline Project Reports produced for the public.	<ul style="list-style-type: none"> Partnerships BC continued its stakeholder outreach program. Partnerships BC continued to advise clients of the benefits of proactive disclosure of procurement documents, guidance documents and templates.

SPECIFIC DIRECTION TO THE COMPANY	PARTNERSHIPS BC ACTIONS IN 2011/12
<p>Comply with Government's requirements to be carbon neutral under the Greenhouse Gas Reduction Targets Act, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions and reporting on those reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations.</p>	<ul style="list-style-type: none"> Partnerships BC continued to support the Province's climate action plan to reduce greenhouse gas emissions and improve energy efficiency in public sector buildings. The Organization continued to focus on helping clients meet their energy efficiency targets.

"B.C. has a track record of using ...partnerships to effectively deliver publicly owned infrastructure."

— Jay Lemoine, Bull Housser Tupper, 2012

6 Management Discussion and Analysis

6.1 Overview

Partnerships British Columbia (Partnerships BC or the Company) is a Company owned by the Province of British Columbia (the Province) and is governed by a Board of Directors reporting to its Shareholder, the Minister of Finance. The Company's vision is to be a recognized leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients and is committed to its long-term viability. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited financial statements and accompanying notes. The results reported have been prepared in accordance with Canadian public sector accounting standards as established by the Canadian Institute of Chartered Accountants' Public Sector Accounting (PSA) Board and are presented in Canadian dollars.

In fiscal 2011/12, the Company adopted the accounting standards contained in PS 1201 - Financial statement presentation and PS 3450 - Financial instruments in the preparation of these financial statements. Any unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of re-measurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

This MD&A contains forward-looking statements, including statements regarding business and anticipated financial performance of the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

6.2 Highlights in 2012-13

6.2.1 Projects which reached financial close

During the year, the following projects reached a final project agreement:

- Interior Heart and Surgical Centre Project
- BC Housing Single Room Occupancy (SRO) Renewal Initiative
- Evergreen Line Rapid Transit Project
- Wood Innovation and Design Centre Project

6.2.2 Projects in the market

During the year, the following projects were in the market:

- BC Children's and BC Women's Redevelopment Project
- John Hart Generating Station Replacement Project
- Kitsilano Secondary School Renewal Project
- Lakes District Hospital and Health Care Centre Replacement Project
- North Island Hospitals Project
- Oak Bay High School Replacement Project
- Okanagan Correctional Centre Project
- Queen Charlotte/Haida Gwaii Hospital Replacement Project
- Iqaluit International Airport Improvement Project
- Emily Carr University of Art + Design Project
- Vernon Jubilee Hospital Expansion Project
- McLoughlin Point Wastewater Treatment Plant Project

6.2.3 Exceeded financial plan target—revenue either meets or exceeds expenses

Partnerships BC's annual operating surplus and remeasurement gains were \$1,337,394 for the year ended March 31, 2013.

6.2.4 Strong financial position

Partnerships BC's cash and portfolio investments increased to \$13,220,821 in 2012/13 from \$11,994,202 in 2011/12.

6.2.5 Stronger Employee Engagement

Partnerships BC achieved an employee satisfaction rating of 4.29 out of five in 2012/13 compared to 4.11 out of five in 2011/12 in the annual employee satisfaction survey conducted by BC Business Magazine.

6.2.6 New Board Members

Partnerships BC welcomed Frank Blasetti and Jill Leversage as members of its Board of Directors.

Prior to his retirement, Frank Blasetti was the Assistant Deputy Minister (Partnerships) with the Province of B.C.'s Ministry of Transportation and Infrastructure as well as the President & CEO of Transportation Investment Corporation. Previously, he was Vice President, BCTFA and Director (Transportation Crowns), Crown Corporations Secretariat. An economist, Frank dedicated his career to public service. Frank earned a Bachelor of Arts (Economics and Mathematics) at Saint Francis Xavier University and a Master of Arts (Economics) at University of British Columbia.

Jill Leversage is the former Managing Director of TD Securities' Vancouver corporate and investment banking team. Jill has over 18 years of experience successfully executing numerous debt and equity financings and merger & acquisition advisory assignments for B.C.-based companies such as MacDonald Dettwiler, West Fraser, Versacold and Fanning. Prior to her time at TD Securities', she served as the managing director at RBC Capital Markets and head of the Alternative Energy Sector for North America. Jill is a member of the Canadian Institute of Chartered Accountants and the Canadian Institute of Chartered Business Valuators. Jill was the 2012 recipient of the Business in Vancouver 'Women in Business Award'. She holds a bachelor of commerce from the University of Calgary.

6.2.7 Achievements and Awards

The following projects received Canadian Council of Public Private Partnerships' (CCPPP) awards during the year:

- Kelowna and Vernon Hospitals Project – CCPPP Gold Award for Service Delivery
- BC Cancer Agency for the North – CCPPP Gold Award for Infrastructure
- Fort St. John Hospital and Residential Care Project – CCPPP Silver Award for Infrastructure

6.3 Annual Financial Performance

6.3.1 Comparison of 2012-13 and 2011-12

Financial Performances

Partnerships BC had a very successful year in fiscal 2012/13. The Company reached final project agreements on four projects and presently has twelve projects in the market. This was a continuation of the strong pipeline of work from fiscal 2011/12. Work fee revenues from sixteen projects which were either in procurement or reached a final project agreement contributed to the Company's revenues in 2012/13. The Company had revenues of \$9,636,402 in 2012/13 compared to \$8,469,672 in 2011/12, an increase of \$1,166,730 or 13.8 per cent.

In fiscal 2012/13, the majority of work fee revenue was generated from the following projects which either reached a final project agreement or were in the procurement phase:

- Interior Heart and Surgical Centre Project
- BC Housing Single Room Occupancy (SRO) Project
- Evergreen Line Rapid Transit Project
- BC Children's and BC Women's Redevelopment Project
- John Hart Generating Station Replacement Project
- Kitsilano Secondary School Renewal Project
- Lakes District Hospital and Health Care Centre Replacement Project
- North Island Hospitals Project
- Oak Bay High School Replacement Project
- Okanagan Correctional Centre Project
- Queen Charlotte/Haida Gwaii Hospital Replacement Project
- Wood Innovation and Design Centre Project
- Iqaluit International Airport Improvement Project
- Emily Carr University of Art + Design Project
- Vernon Jubilee Hospital Expansion Project
- McLoughlin Point Wastewater Treatment Plant Project

In addition, Partnerships BC provided advisory services post-procurement on the Fort St. John Hospital and Residential Care Project, BC Cancer Agency Centre for the North Project, Surrey Pre-trial Services Centre Expansion Project, Evergreen Line Rapid Transit Project and BC Housing SRO Project.

The table below presents a comparison of selected statement of operations of the current fiscal year with those of the previous fiscal year.

	2013	2012	2013	2012
	(% of revenues)			
Revenues	\$ 9,636,402	\$ 8,469,672	100.0%	100.0%
Project recoveries	5,647,149	3,745,278	58.6%	44.2%
Project expenses	5,647,149	3,745,278	58.6%	44.2%
Salaries and benefits	6,274,671	5,997,531	65.1%	70.8%
General and administrative expenses	1,882,963	1,762,916	19.6%	20.8%
Amortization	145,195	161,252	1.5%	1.9%
Annual operating surplus	\$ 1,333,573	\$ 547,973	13.8%	6.5%

6.3.2 Revenues

The table below provides details of the Company's revenues by category.

	2013	2012	2013	2012
	(% of revenues)			
Work fees	\$ 9,503,615	\$ 8,335,470	98.6%	98.4%
Other revenue	132,787	134,202	1.4%	1.6%
	\$ 9,636,402	\$ 8,469,672	100.0%	100.0%

Gross revenues for the year ended March 31, 2013 were \$9,636,402 of which \$9,503,615 was from work fees and \$132,787 was from other revenue. In comparison, gross revenues for the year ended March 31, 2012 were \$8,469,672 of which \$8,335,470 were from work fees and \$134,202 were from other revenue.

Partnerships BC's work fees are based on the amount of project work available and the required number of professional staff to complete them. During the year, Partnerships BC had 38.9 Full Time Equivalents (FTEs) compared to budget of 41.8 FTEs for 2012/13 and 36.7 FTEs for 2011/12. Partnerships BC's business model requires the Company to resource its projects to ensure that it is meeting its responsibilities and providing value for its services.

Going forward, Partnerships BC's 2013/14 Service Plan anticipates that the Company will continue to meet its revenue growth target while employing approximately 41.8 FTEs employees and contractors without any increase in hourly charge-out rates. The revenue growth for 2013/14 will be based entirely on work fees, which includes an emphasis to diversify the Company's client base outside of the provincial government where our expertise can add value. This strategy aligns with the Province's goal to provide opportunities for job creation and investment for local and other Canadian companies.

The table below provides changes to the Company's revenues by category.

	2013	2012	Change	%
Work fees	\$ 9,503,615	\$ 8,335,470	\$ 1,168,145	14.0%
Other revenue	132,787	134,202	(1,415)	-1.1%
	\$ 9,636,402	\$ 8,469,672	\$ 1,166,730	13.8%

6.3.3 Work Fees

Work fees typically reflect the cost of providing services and are not directly related to milestone events or performance.

Work fees were recognized from a number of provincial government ministries, Crown corporations and non-ministry sources. In 2012/13, Partnerships BC's clients included:

- Ministry of Health and Provincial Health Authorities,
- Ministry of Transportation and Infrastructure,
- Ministry of Labour, Citizens' Services and Open Government,
- Ministry of Education,
- British Columbia Crown Corporations,
- British Columbia Universities,
- Local School Districts and Boards,
- Other Provincial Governments,
- Municipalities,
- Government of Canada, and
- U.S. State Governments.

6.3.4 Provincial Government Services

Under the terms of the previous government services contract which expired on March 31, 2010, the Province provided the Company with an annual payment for a variety of services related to the development of policy and practices, communications strategy and the partnership market.

Other services provided to the Province which are not covered under the government services contract are completed under separate negotiated contracts. Any revenue earned from these contracts was recorded under work fees.

Under the provisions of the current agreement, the Company continues to provide the services described above at no cost to the Province and the term will be automatically renewed for successive periods of one year.

6.3.5 Project Recoveries

Project recoveries represent reimbursable project expenses such as legal, financial, consulting and other fees that are normally recovered directly from the project. For the year ended March 31, 2013, project recoveries were \$5,647,149 compared to \$3,745,278 for the year ended March 31, 2012. The increase in project recoveries can be directly attributable to the number of projects that were in procurement or that reached a final project agreement during the year.

6.3.6 Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2013, other revenue was \$132,787 compared to \$134,202 for the year ended March 31, 2012. There were no significant changes to interest rates on term deposits, money market instruments and Canadian government securities during the year. The increase in cash and portfolio investments did not contribute to interest income because the majority of the receipts were received just prior to year-end. Any increase in interest income will likely be recognized in fiscal 2013/14 assuming there are no significant decreases in interest rates.

6.3.7 Comparison to Budget

The table below provides details of the Company's actual and budgeted revenues for 2012/13.

	2013 Actual	2013 Budget	Change	%
Work fees	\$ 9,503,615	\$ 9,039,680	\$ 463,935	5.1%
Other revenue	132,787	82,000	50,787	61.9%
	\$ 9,636,402	\$ 9,121,680	\$ 514,722	5.6%

For the year ended March 31, 2013, gross revenues were 5.6 per cent greater than budget. Work fee revenue is a function of the number of professional staff and their corresponding utilization rates. For the year ended March 31, 2013, the Company had 38.9 FTE compared to budget of 41.8 FTE. The Company exceeded its budgeted gross revenues as a result of its 73 per cent utilization rate on projects. The budgeted utilization rate for projects for fiscal 2012/13 was 66 per cent. In summary, the Company was able to meet its fiscal 2012/13 financial plan targets with fewer FTEs. Going forward, in order to continue to meet its annual revenues targets and budgeted utilization rates, the Company plans to hire additional employees or contractors with project management experience as per the Board approved budgeted human resources plan.

The reduced number of FTEs contributed to a decline in Partnerships BC's total expenditures compared to budget. Total operating expenditures (consisting of compensation and administration costs) was nine per cent below budget. More detailed explanations are provided below.

6.3.8 Expenses

The table below provides details of the Company's operating expenses for 2012/13 and 2011/12.

	2013	2012	Change	%
Salaries and benefits	\$ 6,274,671	\$ 5,997,531	\$ 277,140	4.6%
Administration	317,605	361,301	(43,696)	-12.1%
Building occupancy	625,346	609,435	15,911	2.6%
Corporate relations	54,185	28,691	25,494	88.9%
Information systems	296,754	266,679	30,075	11.3%
Professional fees	426,499	338,001	88,498	26.2%
Travel	162,574	158,809	3,765	2.4%
Amortization	145,195	161,252	(16,057)	-10.0%
	2,028,158	1,924,168	103,990	5.4%
Total Operating Expenses	\$ 8,302,829	\$ 7,921,699	\$ 381,130	4.8%
% of expenses over revenues	86.2%	93.5%		
% of general and administrative expenses over revenues	21.0%	22.7%		

For the year ended March 31, 2013, there was an increase in operating expenses of \$381,130 or 4.8 per cent compared to last year. The increase was primarily attributable to the following:

- Salaries and benefits;
- Building occupancy;
- Corporate relations;
- Information systems; and
- Professional fees.

The increase in salaries and benefits for the year ended March 31, 2013 is largely attributable to the increase in FTE compared to the year ended March 31, 2012. The increase in FTE was required to meet the sixteen projects which were in procurement or reached a final project agreement during the year. Presently, Partnerships BC is in compliance with the Province's compensation directives which called for salary freezes for executives and management at Crown corporations in fiscal 2013/14. Partnerships BC has also submitted an implementation plan under the Province's Executive Compensation Mandate which has been approved for implementation on or before October 1, 2013. This Executive Compensation Mandate called for the elimination of short-term incentive plans for all staff at Crown corporations. Any exceptions to the Mandate, guidelines or framework will require approval from the government organization responsible for overseeing compensation for provincial government ministries, Crown corporations and other provincial organizations.

The increase in building occupancy costs was attributable to the renewal of the Victoria office lease which saw an increase in base rent. The increase was the result of reduced supply of comparable office space in the Victoria area because the market has not seen any new supply of office space for the past five years.

The increase in corporate relations expenditures was due to the use of contractors to provide advice on stakeholder and corporate relations initiatives and to redesign the Company's website.

The increase in information technology expenditures was due to the licensing costs associated with the development and implementation of the Company's new SharePoint and Knowledge Management platform. These are one-time costs and going forward, the Company will see a reduction in its information technology expenditures.

The increase in professional fees of \$88,498 was largely due to two specific initiatives in fiscal 2013 – the development of a new SharePoint and Knowledge Management system and an update to the Company's executive and staff compensation ranges. Going forward, the Company plans to complete and implement the new SharePoint and Knowledge Management platform on or before August 2013. In preparation for the implementation of the new platform, the Company also undertook an upgrade to its Exchange server and rolled out Microsoft Office 2010 suite of products to all its laptops and desktops. Previously, under Canadian Generally Accepted Accounting Principles, the costs associated with the development of a new SharePoint and Knowledge Management system were capitalized and amortized over its useful life. However, under the new Canadian public sector accounting standards, these costs are now expensed when incurred.

Travel costs were \$162,574 in 2012/13 compared to \$158,809 in 2011/12, resulting in an increase of \$3,765. The Company has a travel policy which requires all travel to be for stakeholder relations, Shareholder reporting, business development or recoverable from projects or conferences or, failing that, to be pre-approved by senior management. In addition, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits. Going forward, the Company will continue to adhere to these policies in fiscal 2013/14.

6.3.9 Comparison to Budget

The table below provides details of the Company's operating expenses for 2012/13 and 2011/12.

	2013 Actual	2013 Budget	Change	%
Salaries and benefits	\$ 6,274,671	\$ 7,129,147	\$ (854,476)	-12.0%
Administration	317,605	317,152	453	0.1%
Building occupancy	625,346	616,173	9,173	1.5%
Corporate relations	54,185	48,240	5,945	12.3%
Information systems	296,754	235,200	61,554	26.2%
Professional fees	426,499	380,000	46,499	12.2%
Travel	162,574	205,001	(42,427)	-20.7%
Amortization	145,195	166,347	(21,152)	-12.7%
	2,028,158	1,968,113	60,045	3.1%
Total Operating Expenses	\$ 8,302,829	\$ 9,097,260	\$ (794,431)	-8.7%
% of expenses over revenues	86.2%	99.7%		
% of general and administrative expenses over revenues	21.0%	21.6%		

Salaries and benefits for the year ended March 31, 2013 were under budget by \$854,476 or 12 per cent. The Company had budgeted for a full complement of employees and consultants, which included new hires for vacant positions and timely replacement of employees who resigned during the year. Although the budget was for 41.8 FTEs, Partnerships BC had 38.9 FTEs for the year ended March 31, 2013. The Company did not replace all its departed employees on a timely basis either as a result of having sufficient resources or the Company's inability to hire individuals with the necessary partnership and project management experience. In addition, the Company promoted from within and contracted with individuals who were Project Directors and Senior Consultants with partnership and project management experience to provide short-term project resources.

Total general and administration costs for the year ended March 31, 2013 were over budget by \$60,045. This was largely due to the increase in information technology and professional fees expenses. The increases in these areas were attributable to the development and implementation of a new SharePoint and Knowledge Management platform.

Corporate relations expenses for the year ended March 31, 2013 were over budget by \$5,945 as the Company contracted with third parties to provide advice on stakeholder and corporate relations initiatives.

Professional fees for the year ended March 31, 2013 were over budget \$46,499 as the Company undertook two initiatives which were not included in the budget for fiscal 2012/13 – the development and implementation of a new SharePoint and Knowledge Management platform and an update to the Company's executive and staff compensation ranges.

Information technology expenses for the year ended March 31, 2013 were over budget by \$61,554 as the Company acquired the necessary licences to develop the new SharePoint and Knowledge Management platform.

Travel expenses for the year ended March 31, 2013 were under budget by \$42,427. This was largely due to the Company continuing to implement its travel policy which requires all travel to be for stakeholder relations, Shareholder reporting, business development or recoverable from projects or conferences or, failing that, to be pre-approved by senior management. Furthermore, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there

are significant professional development benefits. Secondly, due to the significant number of projects either in procurement or reaching a final project agreement, the majority of the travel costs incurred by the Company's staff were recoverable from their respective projects.

There were no significant changes to administration and building occupancy costs for the year ended March 31, 2013. They were \$453 (0.1 per cent) and \$9,173 (1.5 per cent) over budget respectively.

Total expenses for the year ended March 31, 2013 as a percentage of revenues were 86.2 per cent compared to budget of 99.7 per cent. General and administrative expenses for the year ended March 31, 2013, as a percentage of revenues, were in line with budget expectations, 21.0 per cent versus 21.6 per cent. Going forward, the Company has complied with a Provincial directive regarding expenditure management initiatives and the targets are reflected in the Company's Service Plan and budgets for fiscal years 2013/14 to 2015/16.

6.3.10 Statement of Financial Position

The table below presents a comparison of selected financial position items of the current fiscal year with those of the previous fiscal year.

	2013	2012	Change	%
Financial Assets				
Cash	\$ 9,074,599	\$ 7,896,412	\$ 1,178,187	14.9%
Accounts receivable	3,038,998	2,669,154	369,844	13.9%
Portfolio investments	4,146,222	4,097,790	48,432	1.2%
Total Financial Assets	16,259,819	14,663,356	1,596,463	10.9%
Liabilities				
Accounts payable and accrued liabilities	2,109,945	1,945,675	164,270	8.4%
Total Liabilities	2,109,945	1,945,675	164,270	8.4%
Net Financial Assets	\$ 14,149,874	\$ 12,717,681	\$ 1,432,193	11.3%
Non-Financial Assets	\$ 229,380	\$ 324,179	\$ (94,799)	-29.2%
Accumulated Surplus	\$ 14,379,254	\$ 13,041,860	\$ 1,337,394	10.3%

Cash increased by \$1,178,187 from \$7,896,412 as at March 31, 2012 to \$9,074,599 as at March 31, 2013. The increase in cash was mainly due to a significant growth in operating activities during the year. Portfolio investments increased \$48,432 from \$4,097,790 as at March 31, 2012 to \$4,146,222 as at March 31, 2013. The Company's portfolio investments are invested and managed in accordance with the Company's Board-approved statement of investment policies and procedures.

Accounts receivable which consists of work fees, project recoverable expenses and accruals at year end increased by \$369,844 from \$2,669,154 as at March 31, 2012 to \$3,038,998 as at March 31, 2013. Current accounts receivable represented 85 per cent of the balance at year-end reflecting strong collection of outstanding receivables. There was no provision for doubtful accounts as at March 31, 2013. Furthermore, the weighted average number of days outstanding was 16 days in 2012/13. This exceeded the Company's requirement to meet its benchmark of 40 days for the weighted average number of days outstanding.

There were no significant changes to other current assets.

Amortization expense was \$145,195, net of \$30,892 in capital asset additions, which was under budget in comparison to the Company's approved 2012/13 capital expenditures budget.

6.3.11 Liabilities and accumulated surplus

Accounts payable and accrued liabilities increased by \$164,270 from \$1,945,675 as at March 31, 2012 to \$2,109,945 as at March 31, 2013. The increase in accounts payable and accrued liabilities directly corresponds to the increase in accounts receivable as a result of an increase in year-end accruals for project recoveries.

The increase in accumulated surplus was attributable to an annual operating surplus of \$1,333,573 and remeasurement gains of \$3,821.

6.3.12 Statement of Cash Flows

6.3.12.1 Liquidity and capital resources

The table below presents a comparison of the Company's cash for the current fiscal year with that of the previous fiscal year.

	2013	2012	Change
Cash, beginning of year	\$ 7,896,412	\$ 7,478,294	\$ 418,118
Cash provided by (used by):			
Operating transactions	1,253,690	573,202	680,488
Capital transactions	(30,892)	(109,368)	78,476
Investing transactions	(44,611)	(45,716)	1,105
Cash, end of year	<u>\$ 9,074,599</u>	<u>\$ 7,896,412</u>	<u>\$ 1,178,187</u>

6.3.12.2 Cash flow from operating transactions

Cash flow from operating activities was \$1,253,690 in 2012/13 compared to \$573,202 in 2011/12 resulting in an increase of \$680,488. The increase was attributable to the annual operating surplus and remeasurement gains of \$1,337,394 in 2012/13, net of changes to working capital items which included changes in accounts receivable, other current assets and accounts payable and accrued liabilities.

6.3.12.3 Cash flow from capital transactions

Cash used in capital transactions was \$30,892 in 2012/13 compared to \$109,368 in 2011/12 resulting in a change of \$78,476. The major additions in 2012/13 were for network equipment to operate the Company's new SharePoint and Knowledge Management platform. In 2011/12, the Company continued to implement its capital hardware evergreen initiative by replacing its laptops with systems which operate on Microsoft's Windows 7 operating system and Microsoft's 2007 Suite of Office products.

6.3.12.4 Cash flow from investing transactions

Cash used in investing transactions was \$44,611 in 2012/13 compared to \$45,716 in 2011/12 resulting in a change of \$1,105.

The table below presents a comparison of the Company's working capital position for the current fiscal year with that of the previous fiscal year.

	2013	2012	Change
Cash	\$ 9,074,599	\$ 7,896,412	\$ 1,178,187
Accounts receivable	3,038,998	2,669,154	369,844
Portfolio investments	4,146,222	4,097,790	48,432
Other current assets	71,032	51,528	19,504
	<u>16,330,851</u>	<u>14,714,884</u>	<u>1,615,967</u>
Accounts payable and accrued liabilities	2,109,945	1,945,675	164,270
Net working capital	<u>\$ 14,220,906</u>	<u>\$ 12,769,209</u>	<u>\$ 1,451,697</u>

As at March 31, 2013, the Company's principal sources of liquidity include cash of \$9,074,599, accounts receivable of \$3,038,998 and portfolio investments of \$4,146,222. The Company has \$2,109,945 in accounts payable and accrued liabilities due next year.

6.3.13 Commitments

The Company is committed to payments under operating leases for premises through fiscal 2017/18 as follows:

Year	Amount
2014	\$ 591,829
2015	426,463
2016	192,801
2017	195,040
2018	81,267
	<hr/> <hr/> \$ 1,487,400

The Company's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2017 respectively.

During the year, Partnerships BC did not enter into any contractual obligations or off-balance sheet arrangements. In addition, the Company did not have any pending litigation or contingencies as at March 31, 2013.

6.3.14 Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2013, 2012, 2011, 2010, and 2009.

	2013	2012	2011	2010	2009 (Note 1)
Total revenues	\$ 9,636,402	\$ 8,469,672	\$ 8,532,161	\$ 7,973,268	\$ 10,152,841
Total operating expenses	\$ 8,302,829	\$ 7,921,699	\$ 8,313,550	\$ 7,936,446	\$ 8,076,257
Annual operating surplus	\$ 1,333,573	\$ 547,973	\$ 218,611	\$ 36,822	\$ 2,076,584
Total current assets	\$ 16,330,851	\$ 14,714,884	\$ 14,632,751	\$ 13,791,700	\$ 14,140,855
Total assets	\$ 16,489,199	\$ 14,987,535	\$ 14,957,286	\$ 14,049,709	\$ 14,529,375
Total current liabilities	\$ 2,109,945	\$ 1,945,675	\$ 2,464,688	\$ 1,778,575	\$ 2,295,063
Total liabilities	\$ 2,109,945	\$ 1,945,675	\$ 2,463,688	\$ 1,778,575	\$ 2,295,063

Note 1: On May 6, 2008, ownership of Abbotsford Regional Hospital and Cancer Centre was transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre.

6.3.15 Outlook for Fiscal 2013/14

Partnerships BC undertakes the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Looking forward to 2013/14, Partnerships BC will continue to evaluate, structure and implement partnership delivery solutions for public infrastructure which achieve value for money. In addition, with the current changes within provincial government ministries, the Company will continue to conduct extensive outreach activities with its current and potential clients, its Shareholder and other stakeholders.

Projects expected to enter the market in the energy, health, education and accommodation sectors, together with new and existing clients which include other provincial governments and the Government of Canada, should enable Partnerships BC to meet its revenue growth and annual surplus targets as outlined in its 2013/14 to 2015/16 Service Plan. A copy of the Service Plan can be found on Partnerships BC's website at www.partnershipsbc.ca.

6.3.16 Budgets for Fiscal 2013/14 to 2015/16

The following table presents the budgets for fiscal years 2013/14 to 2015/16 as outlined in Partnerships BC's current Service Plan.

	2014	2015	2016
Revenue			
Work fees	\$ 9,530,200	\$ 9,816,106	\$ 10,111,542
Other revenue	105,500	130,665	130,835
Total Revenue	9,635,700	9,946,771	10,242,377
Expenditures			
Salaries and benefits	7,107,294	7,320,513	7,540,129
Professional services	410,000	442,900	456,187
Administration	1,534,727	1,652,169	1,758,738
Corporate relations	90,150	92,855	95,640
Amortization	126,664	134,981	101,450
Total Expenditures	9,268,835	9,643,418	9,952,144
Project recoveries	4,212,000	4,340,000	4,360,000
Project recoverable expenses	4,212,000	4,340,000	4,360,000
	-	-	-
Annual Operating Surplus	\$ 366,865	\$ 303,353	\$ 290,233

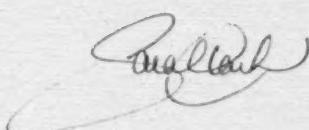
7 Statement of Management Responsibility

The financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2013, have been prepared by management in accordance with Canadian public sector accounting standards. These financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2013.

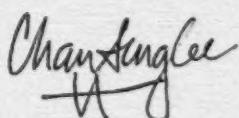
Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of the financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Canada LLP has performed an independent audit of the financial statements of Partnerships British Columbia Inc. The Independent Auditor's Report outlines the scope of their examination and expresses an opinion on the statements of Partnerships British Columbia Inc.



Sarah Clark
President and Chief Executive Officer
Partnerships British Columbia Inc.



Chan-Seng Lee, CA
Vice President, Finance and Administration
Partnerships British Columbia Inc.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of Partnerships British Columbia Inc.

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2013 and the Statements of Operations, Change in Accumulated Operating Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets, and Cash Flows for the year ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2013 and the results of its operations and its cash flows for the year ended March 31, 2013, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
May 16, 2013

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Financial Position

AS AT MARCH 31, 2013 WITH COMPARATIVES FOR MARCH 31, 2012

	March 31, 2013	March 31, 2012
Financial assets		
Cash	\$ 9,074,599	\$ 7,896,412
Accounts receivable (Note 3)	3,038,998	2,669,154
Portfolio investments (Note 4)	4,146,222	4,097,790
Total Financial Assets	<u>16,259,819</u>	<u>14,663,356</u>
Liabilities		
Accounts payable & accrued liabilities (Note 5)	2,109,945	1,945,675
Total Liabilities	<u>2,109,945</u>	<u>1,945,675</u>
Net financial assets	<u>14,149,874</u>	<u>12,717,681</u>
Non-financial assets		
Prepaid expenses	71,032	51,528
Tangible capital assets (Note 7)	158,348	272,651
Total Non-financial Assets	<u>229,380</u>	<u>324,179</u>
Accumulated surplus (Note 8)	<u>\$ 14,379,254</u>	<u>\$ 13,041,860</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 14,370,458	\$ 13,036,885
Accumulated remeasurement gains	8,794	4,973
Share capital	2	2
	<u>\$ 14,379,254</u>	<u>\$ 13,041,860</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

L. Blain, Chair

S. Conner, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Operations

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Budget (Note 13)	March 31, 2013	March 31, 2012
Revenue			
Work fees	\$ 9,039,680	\$ 9,503,615	\$ 8,335,470
Other revenue	82,000	132,787	134,202
Total Revenues	9,121,680	9,636,402	8,469,672
Expenses			
Administration	317,152	317,605	361,301
Amortization	166,347	145,195	161,252
Building occupancy	616,173	625,346	609,435
Corporate relations	48,240	54,185	28,691
Information systems	235,200	296,754	266,679
Professional services	380,000	426,499	338,001
Salaries and benefits	7,129,147	6,274,671	5,997,531
Travel	205,001	162,574	158,809
Total Expenses	9,097,260	8,302,829	7,921,699
Reimbursable costs			
Project recoveries	4,240,000	5,647,149	3,745,278
Less: Project expenses	(4,240,000)	(5,647,149)	(3,745,278)
Net reimbursable costs	-	-	-
Annual operating surplus	24,420	1,333,573	547,973
Accumulated operating surplus, beginning of year	13,036,885	13,036,885	12,488,912
Accumulated operating surplus, end of year	\$ 13,061,305	\$ 14,370,458	\$ 13,036,885

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Remeasurement Gains and Losses

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	March 31, 2013	March 31, 2012
Accumulated remeasurement gains, beginning of year	\$ 4,973	\$ 3,684
Plus: Unrealized gains attributable to:		
Portfolio investments	48,824	47,005
Less: Amounts reclassified to the statement of operations:		
Portfolio investments	(45,003)	(45,716)
Net remeasurement gains for the year	3,821	1,289
Accumulated remeasurement gains, end of year	\$ 8,794	\$ 4,973

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Changes in Net Financial Assets

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	Budget (Note 13)	March 31, 2013	March 31, 2012
Annual operating surplus	\$ 24,420	\$ 1,333,573	\$ 547,973
Acquisition of tangible capital assets	(133,388)	(30,892)	(109,368)
Amortization of tangible capital assets	166,347	145,195	161,252
	32,959	114,303	51,884
Acquisition of prepaid expenses	–	(215,340)	(201,157)
Use of prepaid expenses	8,361	195,836	216,685
	8,361	(19,504)	15,528
Effect of remeasurement gains of the year	–	3,821	1,289
Increase in net financial assets for the year	65,740	1,432,193	616,674
Net financial assets, beginning of year	12,717,681	12,717,681	12,101,007
Net financial assets, end of year	\$ 12,783,421	\$ 14,149,874	\$ 12,717,681

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Cash Flows

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	March 31, 2013	March 31, 2012
Operating transactions		
Annual operating surplus	\$ 1,333,573	\$ 547,973
Non-cash item included in surplus:		
Amortization of tangible capital assets	145,195	161,252
	<hr/> 1,478,768	<hr/> 709,225
Changes in operating accounts		
Accounts receivable	(369,844)	367,462
Prepaid expenses	(19,504)	15,528
Accounts payable and accrued liabilities	164,270	(519,013)
	<hr/> (225,078)	<hr/> (136,023)
Total operating transactions	<hr/> 1,253,690	<hr/> 573,202
Capital transactions		
Purchase of tangible capital assets, net	<hr/> (30,892)	<hr/> (109,368)
	<hr/> (30,892)	<hr/> (109,368)
Investing transactions		
Increase in portfolio investments	<hr/> (44,611)	<hr/> (45,716)
	<hr/> (44,611)	<hr/> (45,716)
Net increase in cash	<hr/> 1,178,187	<hr/> 418,118
Cash, beginning of year	<hr/> 7,896,412	<hr/> 7,478,294
Cash, end of year	<hr/> \$ 9,074,599	<hr/> \$ 7,896,412

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Notes to Financial Statements

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

1. Nature of Operations

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole shareholder; the Minister of Finance. The Company was incorporated under the British Columbia Business Corporations Act in May 2002. It has 2 issued shares which are held by the Minister of Finance.

The Company's vision is to be a recognised leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transactions, procurement management and implementation.
- Provide advice to the Province and its agencies on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the *Income Tax Act*.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

b. Portfolio investments

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

2. Summary of Significant Accounting Policies (continued)

c. Employee future benefits

The employees of Partnerships BC belong to the Public Service Pension Plan (the Plan), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint board of trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.

d. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the tangible capital asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

- Computer software 2 years
- Computer hardware 3 years
- Furniture and equipment 5 years
- Leasehold improvements 5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Partnerships BC's ability to provide goods and services.

e. Prepaid expenses

Prepaid expenses include software licences, insurance premiums and travel costs and are charged to expense over the periods expected to benefit from it.

f. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

g. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

h. Measurement uncertainty

The preparation of financial statements in conformity with PSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, rates for amortization and the impairment of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Accounts Receivable

	March 31, 2013	March 31, 2012
Revenues receivable	\$ 3,031,248	\$ 2,662,703
Accrued interest	7,750	6,451
	\$ 3,038,998	\$ 2,669,154

There was no provision for doubtful accounts required as at March 31, 2013 and 2012.

Included in accounts receivable are the following amounts receivable from government and other government organizations.

	March 31, 2013	March 31, 2012
Provincial governments	\$ 2,664,152	\$ 2,261,661
Federal government	57,123	272,546
Other government organizations	208,365	60,298
	\$ 2,929,640	\$ 2,594,505

4. Portfolio Investments

	March 31, 2013	March 31, 2012
Fair market value	\$ 4,146,222	\$ 4,097,790
Less: Original cost	(4,137,428)	(4,092,817)
Unrealized gain	\$ 8,794	\$ 4,973

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by bclMC. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2012, the fund had an annualized return of 1.1 percent compared to an annualized return of 1.2 percent for the prior year.

5. Accounts Payable and Accrued Liabilities

	March 31, 2013	March 31, 2012
Accounts payables and accrued liabilities	\$ 1,231,015	\$ 1,134,346
Salaries and benefits payable	735,612	688,959
Accrued vacation pay	143,318	122,370
	\$ 2,109,945	\$ 1,945,675

6. Employee Future Benefits

Partnerships BC and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

Information about obligations for retirement benefits and other employee future benefits is as follows:

a. Retirement benefits

Pension plan

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 9.43 per cent (2012: 9.28 per cent).

6. Employee Future Benefits (continued)

Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2013, Partnerships BC contributed \$397,273 (2012: \$329,567) to the Plan. These contributions are the Company's pension benefit expense. No pension liability for this type of plan is included in the financial statements.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2011 showed that the Plan is 98 percent funded as it had assets of \$17.77 billion and liabilities of \$18.04 billion.

b. Other employee future benefits

Workplace safety and insurance board obligations

Partnerships BC is an employer under the Workers Compensation Act Part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Partnerships BC does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the financial statements.

7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2013 Total
Cost					
Opening Balance	\$ 377,823	\$ 587,503	\$ 205,023	\$ 392,174	\$ 1,562,523
Additions	—	26,351	5,167	—	31,518
Disposals	258,391	164,214	66,002	—	488,607
Closing Balance	119,432	449,640	144,188	392,174	1,105,434
Accumulated Amortization					
Opening Balance	376,868	409,125	147,295	356,584	1,289,872
Amortization	673	94,214	21,222	29,086	145,195
Disposals	258,391	163,588	66,002	—	487,981
Closing Balance	119,150	339,751	102,515	385,670	947,086
Net book value	\$ 282	\$ 109,889	\$ 41,673	\$ 6,504	\$ 158,348
	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2012 Total
Cost					
Opening Balance	\$ 376,475	\$ 642,310	\$ 173,370	\$ 384,840	\$ 1,576,995
Additions	1,348	57,926	43,645	7,334	110,253
Disposals	—	112,733	11,992	—	124,725
Closing Balance	377,823	587,503	205,023	392,174	1,562,523
Accumulated Amortization					
Opening Balance	375,580	410,246	141,100	325,534	1,252,460
Amortization	1,288	111,612	17,302	31,050	161,252
Disposals	—	112,733	11,107	—	123,840
Closing Balance	376,868	409,125	147,295	356,584	1,289,872
Net book value	\$ 955	\$ 178,378	\$ 57,728	\$ 35,590	\$ 272,651

8. Accumulated Surplus

The accumulated surplus is made up as follows:

	March 31, 2013	March 31, 2012
Accumulated operating surplus	\$ 14,370,458	\$ 13,036,885
Accumulated remeasurement gains	8,794	4,973
	<hr/>	<hr/>
	14,379,252	13,041,858
Share capital	2	2
	<hr/>	<hr/>
	\$ 14,379,254	\$ 13,041,860

The authorized share capital is 5,000,000 common shares at no par value.

9. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

10. Related Party Transactions

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the province and certain Crown corporations, at prevailing market prices and credit terms.

The statement of operations includes the following transactions with related parties:

	March 31, 2013	March 31, 2012
Fees for services	\$ 7,311,470	\$ 6,972,969
Other revenue	127,095	132,670
	<hr/>	<hr/>
	\$ 7,438,565	\$ 7,105,639
Operating expenses:		
Professional services	\$ 6,020	\$ 1,208
Administration	50,675	53,649
	<hr/>	<hr/>
	\$ 56,695	\$ 54,857
Project recoveries	\$ 4,861,095	\$ 2,323,495

Financial assets and liabilities with related parties as at March 31, 2013 and 2012 were:

	March 31, 2012	March 31, 2011
Accounts receivable	\$ 2,399,055	\$ 2,040,255
Accounts payable and accrued liabilities	41,509	38,418

11. Commitments

The Company is committed to payments under operating leases for premises through 2017/18 as follows:

Year	Amount
2014	\$ 591,829
2015	426,463
2016	192,801
2017	195,040
2018	81,267
	<hr/>
	\$ 1,487,400

The Company's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2017 respectively.

12. Risk Management

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

b. Financial management risk objectives and policies

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Company's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Company to the President and Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Company.

d. Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Company does not consider its exposure to credit risk to be material.

12. Risk Management (continued)

e. Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements. The Company's annual Service Plan and budget are approved by the Board of Directors. The Company also provides a quarterly forecast to the Audit and Risk Management Committee.

f. Market risk

The Company is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Company is exposed are interest rate and other price risks.

i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Company may bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments, and as such, the Company manages its exposure to potential interest rate fluctuations in the short-term. The Company has no interest bearing debt.

ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Company is exposed to price risk through its portfolio investments.

As at March 31, 2013, the Company's total exposure to market risk is \$4,146,222. The Company's best estimate of the effect on net assets as at March 31, 2013, due to a five per cent increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of \$207,311 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. These budgeted figures were included in the Company's 2012/13 Service Plan.



partnerships
British Columbia

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